

104TH CONGRESS  
1ST SESSION

# S. 805

To improve the rural electrification programs under the Rural Electrification Act of 1936, to improve Federal rural development programs administered by the Department of Agriculture, to provide for exclusive State jurisdiction over retail electric service areas, to prohibit certain practices in the restraint of trade, and for other purposes.

---

## IN THE SENATE OF THE UNITED STATES

MAY 15, 1995

Mr. SIMPSON introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

---

## A BILL

To improve the rural electrification programs under the Rural Electrification Act of 1936, to improve Federal rural development programs administered by the Department of Agriculture, to provide for exclusive State jurisdiction over retail electric service areas, to prohibit certain practices in the restraint of trade, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Rural Electrification  
3 and Rural Economic Development Improvement Act of  
4 1995”.

5 **SEC. 2. FINDINGS.**

6       Congress finds that—

7           (1) the Rural Electrification Administration  
8 was created to facilitate the electrification of rural  
9 America by providing low-interest loans to electric  
10 cooperative associations and other entities for the  
11 purpose of constructing and improving rural electric  
12 systems;

13           (2) more than 99 percent of the residents in  
14 rural areas of the United States now have affordable  
15 and reliable electric service;

16           (3) a large volume of loans, at subsidized inter-  
17 est rates, continue to be made under the Rural Elec-  
18 trification Act of 1936 to electric cooperative bor-  
19 rowers who could obtain financing at reasonable  
20 rates and terms from a source other than the Fed-  
21 eral Government and these borrowers have become  
22 significant and successful participants in an increas-  
23 ingly competitive electric utility industry;

24           (4) the Federal Government should make elec-  
25 tric loans only to entities that cannot otherwise ob-  
26 tain funding at reasonable rates and terms;

1           (5) the Rural Electrification Act of 1936 au-  
2           thorizes low-interest and zero-interest loans and  
3           grants to be made to borrowers under the Act for  
4           the purpose of rural economic development;

5           (6) these rural economic development programs  
6           do not provide benefits to most rural Americans  
7           since the majority of these residents receive electric  
8           utility service from entities that do not receive fi-  
9           nancing under the Rural Electrification Act of 1936;

10          (7) borrowers under the Rural Electrification  
11          Act of 1936 are directly eligible for some rural de-  
12          velopment programs under the Consolidated Farm  
13          and Rural Development Act of 1972;

14          (8) the limited funds made available each year  
15          for all rural economic development programs should  
16          not favor those individuals who reside in rural areas  
17          that are served by borrowers under the Rural Elec-  
18          trification Act of 1936; and

19          (9) borrowers under the Rural Electrification  
20          Act of 1936 should not have a competitive advantage  
21          in serving customers in rural areas of the United  
22          States.

1   **TITLE I—IMPROVEMENTS TO THE RURAL**  
2       **ELECTRIFICATION LOAN PROGRAMS**

3   **SEC. 101. REFERENCES TO THE RURAL ELECTRIFICATION**  
4               **ACT OF 1936.**

5       As used in this title, the term “the Act” shall mean  
6   “the Rural Electrification Act of 1936” (7 U.S.C. 901 et  
7   seq.).

8   **SEC. 102. CONFORMING AMENDMENT.**

9       The Act is amended by striking “TITLE I—RURAL  
10   ELECTRIFICATION” immediately prior to section 1 (7  
11   U.S.C. 901).

12   **SEC. 103. OBJECTIVE OF THE ACT; INVESTIGATIONS AND**  
13               **REPORTS.**

14       Effective October 1, 1995, section 2 of the Act (7  
15   U.S.C. 902) is amended to read as follows:

16       “SEC. 2. OBJECTIVE OF THE ACT; INVESTIGATIONS  
17   AND REPORTS.—(a) The objective of this Act is to author-  
18   ize and empower the Secretary to make loans for the pur-  
19   poses of—

20               (1) furnishing and improving electric energy  
21       services in rural areas of the several States and Ter-  
22       ritories of the United States,

23               (2) assisting rural electric borrowers to imple-  
24       ment demand side management practices, energy

1 conservation programs, and on-grid and off-grid re-  
2 newable energy systems, and

3 (3) furnishing and improving telephone service  
4 in such areas.

5 “(b) The Secretary may make, or cause to be made,  
6 studies, investigations, and reports concerning the avail-  
7 ability of adequate electric and telephone services in rural  
8 areas of the United States and its Territories and to pub-  
9 lish and disseminate information with respect thereto.”.

10 **SEC. 104. APPLICATION OF STATE LAWS OR ORDINANCES**

11 **CONCERNING ELECTRIC SERVICE.**

12 The Act is amended by adding, after section 2 (7  
13 U.S.C. 902), the following new sections:

14 “SEC. 2A. STATE REGULATION OF ELECTRIC UTIL-  
15 ITY SERVICE.—Nothing contained in this Act shall be con-  
16 strued to deprive any State commission, board, or other  
17 agency of jurisdiction, under any State law, now or here-  
18 after effective, to regulate electric service.

19 “SEC. 2B. APPLICATION OF STATE LAW.—(a) Noth-  
20 ing in this Act is intended to prevent a State or political  
21 subdivision thereof from enacting and enforcing a law or  
22 ordinance concerning the curtailment, limitation, or geo-  
23 graphic area of service provided by an electric borrower  
24 under this Act if such law or ordinance provides for the  
25 just compensation of the borrower for any condemnation,

1 forfeiture, or involuntary sale of a facility, property, right,  
2 or franchise of the borrower that secures a loan made  
3 under this Act. Any such condemnation, forfeiture, or in-  
4 voluntary sale shall not be construed as interfering with  
5 the purposes of this Act.

6 “(b)(1) Not later than 30 days after a borrower re-  
7 ceives such compensation, the Secretary shall require the  
8 borrower to use the proceeds of such compensation to pre-  
9 pay, without penalty, all or any portion of the outstanding  
10 balance on any loan that was made or guaranteed under  
11 this Act for which the Secretary holds a mortgage to, or  
12 other security interest in, the facility, property, right, or  
13 franchise for which the compensation was provided.

14 “(2) The Secretary shall also permit the borrower to  
15 use any proceeds of such compensation, in excess of the  
16 amount needed to prepay a loan under paragraph (1), to  
17 prepay, without penalty, all or any portion of any other  
18 loan of the borrower made under this Act.”.

19 **SEC. 105. REPEAL OF AUTHORITY FOR TREASURY LOANS.**

20 Section 3 of the Act (7 U.S.C. 903) is repealed.

21 **SEC. 106. REPEAL OF AUTHORIZATION FOR 2 PERCENT IN-**  
22 **TEREST RATE ELECTRIC LOANS.**

23 Section 4 of the Act (7 U.S.C. 904) is repealed.

1 **SEC. 107. REPEAL OF AUTHORIZATION FOR 2 PERCENT**  
2 **ELECTRICAL AND PLUMBING EQUIPMENT**  
3 **LOANS.**

4 Section 5 of the Act (U.S.C. 905) is repealed.

5 **SEC. 108. AUTHORIZATION OF APPROPRIATIONS; REPEAL**  
6 **OF REQUIREMENT FOR TESTIMONY; FEES**  
7 **FOR NON-FINANCIAL ASSISTANCE AND SERV-**  
8 **ICES.**

9 Section 6 of the Act (7 U.S.C. 906) is amended to  
10 read as follows:

11 “SEC. 6. AUTHORIZATION OF APPROPRIATIONS:  
12 USER FEES FOR NON-FINANCIAL ASSISTANCE AND SERV-  
13 ICES.—(a)(1) Except as provided for in paragraph (2),  
14 there are hereby authorized to be appropriated, out of any  
15 money in the Treasury not otherwise appropriated, such  
16 funds as necessary for the purpose of administering this  
17 Act and for the purpose of making the studies, investiga-  
18 tions, publications, and reports provided for in section 2.

19 “(2) For each of the fiscal years 1996 through 2000,  
20 the amount authorized to be appropriated under para-  
21 graph (1), or otherwise made available pursuant to this  
22 Act, for the purpose of administering the rural electric  
23 program, shall not exceed \$15,000,000.

24 “(b)(1) Effective October 1, 1995, the Secretary shall  
25 establish a schedule of fees to be charged for non-financial  
26 assistance and services provided by the Secretary to loan

1 applicants, borrowers, and others pursuant to this Act.  
2 Such assistance and services shall include, but not be lim-  
3 ited to, those relating to accounting, personnel training,  
4 engineering, management, auditing, data processing and  
5 information system support, duplication of documents,  
6 consolidations, and compliance with the provisions of other  
7 Federal laws or State laws.

8 “(2) In establishing the schedule of fees under para-  
9 graph (1), the Secretary shall ensure that the amount of  
10 each fee shall be sufficient to cover the reasonable cost  
11 of the assistance or service provided, as determined by the  
12 Secretary.

13 “(3) The recipient of any non-financial service or as-  
14 sistance provided by the Secretary shall pay to the Sec-  
15 retary the amount of the fee as established in the fee  
16 schedule for such service or assistance at such time as the  
17 Secretary may require. All fees paid to the Secretary pur-  
18 suant to this subsection shall be deposited in the Treasury  
19 and shall be available to the Secretary, without fiscal year  
20 limitation, to pay the cost of providing such non-financial  
21 assistance and services pursuant to this Act.”.

22 **SEC. 109. CONFORMING AMENDMENTS.**

23 Section 7 of the Act (7 U.S. C. 907) is amended by—

24 (a) in the first sentence, striking out “from the  
25 sums authorized in section 3 of this Act”, and in-



1       serting in lieu thereof “from funds made available  
2       for the purposes of this Act”; and

3               (b) in the second sentence, by striking out “No  
4       borrower of funds under sections 4 or 201” and in-  
5       serting in lieu thereof “No borrower liable for the  
6       repayment of any telephone loan made under section  
7       201, and, except as otherwise provided for in section  
8       2B or any other provision of this Act, no borrower  
9       who is liable on any rural electric loan made under  
10      this Act”.

11 **SEC. 110. REPEAL OF OBSOLETE PROVISION RELATING TO**  
12 **TRANSFER OF CERTAIN FUNCTIONS.**

13       (a) Section 8 of the Act (7 U.S. C. 908) is repealed.

14       (b) Any action made pursuant to section 8 prior to  
15 its repeal by subsection (a) shall remain valid and in effect  
16 unless otherwise revoked.

17 **SEC. 111. EXPENDITURES FOR PERSONAL SERVICES, SUP-**  
18 **PLIES, AND EQUIPMENT.**

19       Section 11 of the Act (7 U.S.C. 911) is amended by  
20 adding after “from sums appropriated pursuant to section  
21 6” the following: “or from funds otherwise made available  
22 for the purposes of administering this Act”.

23 **SEC. 112. PAYMENT DEFERRAL AUTHORITY.**

24       Section 12 of the Act (7 U.S.C. 912) is amended to  
25 read as follows:

1       “SEC. 12. EXTENSION OF TIME FOR REPAYMENT OF  
2 LOANS.—The Secretary may extend the payment of inter-  
3 est or principal of any loan made under this Act if the  
4 Secretary determines that the borrower is experiencing a  
5 financial hardship. Any payment of interest or principal  
6 shall not be extended for more than 5 years after the date  
7 on which such was originally due, and interest shall accrue  
8 on the amount of any such payment at the rate of interest  
9 on the underlying loan, which interest shall become due  
10 and payable at the same time as the payment for which  
11 the extension was made.”.

12 **SEC. 113. DEFINITION OF RURAL AREA.**

13       Section 13 of the Act (7 U.S.C. 913) is amended by  
14 adding at the end thereof the following: “Any determina-  
15 tion with respect to whether an area is a rural area, under  
16 the preceding sentence, shall be made at the time the ap-  
17 plication is filed, and, under no circumstance, shall any  
18 previous determination that the area was rural for the  
19 purposes of this Act be used to make such determina-  
20 tion.”.

21 **SEC. 114. GENERAL PROHIBITIONS; ORIGATION FEES;**

22 **USE OF CONSULTANTS.**

23       Section 18 of the Act (7 U.S.C. 918) is amended  
24 by—

- 1 (a) in subsection (a), striking out “reduce any  
2 loan or loan advance” and inserting in lieu thereof  
3 “reduce any rural telephone loan or loan advance”;  
4 (b) in subsection (b), after “connection with  
5 any”, inserting “telephone”; and  
6 (c) striking out subsection (c).

7 **SEC. 115. AUTHORIZATION OF LOANS TO RURAL ELECTRIC**  
8 **PROVIDERS.**

9 Effective October 1, 1995, the Act is amended by  
10 adding after section 18 (7 U.S.C. 918) a new title I as  
11 follows:

12 “TITLE I—RURAL ELECTRIFICATION LOANS.

13 “SEC. 101. LIMITATION ON AUTHORITY TO MAKE,  
14 INSURE, AND GUARANTEE ELECTRIC LOANS.—No elec-  
15 tric loan shall be made, insured, or guaranteed, under this  
16 Act after September 30, 1995, except as authorized in sec-  
17 tions 102 and 103.

18 “SEC. 102. DIRECT ELECTRIC LOANS.—(a) The Sec-  
19 retary is authorized and empowered to make loans to cor-  
20 porations, States, Territories, and subdivisions and agen-  
21 cies thereof, municipalities, people’s utility districts, and  
22 cooperative, nonprofit, or limited-dividend associations, or-  
23 ganized under the laws of any State or Territory of the  
24 United States, for the purpose of financing the construc-  
25 tion and operation of generating plants, electric trans-

1 mission and distribution lines or systems for the furnish-  
2 ing of electric energy to persons in rural areas and for  
3 furnishing and improving electric service to persons in  
4 rural areas, including assisting electric borrowers to imple-  
5 ment demand side management, energy conservation pro-  
6 grams, and on-grid and off-grid renewable energy systems.

7 “(b) Loans made under this section shall be on such  
8 terms and conditions relating to the expenditure of the  
9 money loaned and the security therefore as the Secretary  
10 shall determine.

11 “(c)(1) The Secretary shall prioritize the making of  
12 loans authorized by this section to ensure that eligible ap-  
13 plicants with the greatest need for Federal assistance shall  
14 have the highest priority for available loan funds.

15 “(2) In establishing such priorities, the Secretary  
16 shall consider the following indicators of need:

17 “(A) The net income before interest of the ap-  
18 plicant.

19 “(B) The weighted average of per capita per-  
20 sonal income for the area served or to be served by  
21 the applicant.

22 “(C) The weighted average unemployment rate  
23 of the area served or to be served by the applicant.

24 “(D) An average annual rate of growth in the  
25 total kilowatt hour sales of the applicant during the

1 five year period preceding the date on which the ap-  
2 plication is made.

3 “(E) The rate of disparity, measured as the dif-  
4 ference between the residential rate of the applicant  
5 and the average residential rate in the State for all  
6 electric utilities, including utilities that are not bor-  
7 rowers under this Act.

8 “(F) The rate level, measured by the average  
9 revenue per kilowatt hour that is sold by the appli-  
10 cant to residential and farm consumers.

11 “(G) The cost of power per kilowatt hour pur-  
12 chased or generated by the applicant.

13 “(H) The total kilowatt hour sales per mile of  
14 distribution and transmission line, excluding large  
15 commercial and industrial consumers and sales for  
16 resale.

17 “(I) The value of distribution and transmission  
18 plants in service per kilowatt hours of electricity  
19 sold.

20 “(d)(1)(A) The Secretary shall not make any loan  
21 under this section if the Secretary determines that the ap-  
22 plicant is capable of producing net income before interest  
23 of more than 500 percent of the interest requirements on  
24 all of the outstanding and proposed loans of the applicant  
25 for which the final maturity is greater than one year.

1       “(B) If the Secretary determines that the applicant  
2 is capable of producing net income before interest of more  
3 than 200 percent of the interest requirement of all of the  
4 outstanding and proposed loans of the applicant for which  
5 the final maturity is greater than one year, the Secretary  
6 shall require the applicant to secure at least 10 percent  
7 of the total financing required for the proposed project  
8 with a loan from a commercial, cooperative, or other le-  
9 gally organized non-governmental lending institution,  
10 which loan may not be guaranteed under section 103.

11       “(2) The Secretary shall not make a loan under this  
12 section unless the Secretary determines that the applicant  
13 is capable of producing income sufficient to repay the loan  
14 in accordance to its terms within the agreed time, pay in-  
15 terest on the loan as it becomes due, and repay all other  
16 outstanding and proposed indebtedness of the applicant,  
17 together with any interest thereon, as payments become  
18 due.

19       “(3)(A) The Secretary shall not make any loan under  
20 this section unless the Secretary determines that the appli-  
21 cant is unable to obtain all or any part of the funds needed  
22 by the applicant elsewhere, including from (i) general  
23 funds of the applicant that are in excess of an amount  
24 needed for a reasonable reserve, or (ii) loans (with or with-  
25 out a guarantee under section 103) from commercial, co-

1 operative, or other legally organized lending institutions  
2 at reasonable rates and terms for loans for similar pur-  
3 poses and periods of time.

4 “(B) The Secretary shall require the applicant to cer-  
5 tify in writing that the applicant is unable to obtain suffi-  
6 cient credit elsewhere to finance all or any part of the ac-  
7 tual needs of the applicant at reasonable rates and terms,  
8 taking into consideration prevailing rates for loans and ob-  
9 ligations for similar purposes and periods of time.

10 “(4) The Secretary shall not make a loan under this  
11 section unless the Secretary determines that the security  
12 for the loan will be adequate to ensure full payment of  
13 the loan.

14 “(5) The Secretary shall not make any loan under  
15 this section unless the applicant has agreed to comply with  
16 the requirements of the graduation program established  
17 under section 105.

18 “(6) The Secretary shall not make any loan under  
19 this section unless all additional requirements of section  
20 104 have been met.

21 “(e) The term of each loan made under this section  
22 shall be determined by the Secretary and shall not exceed  
23 35 years, or the expected useful life of the assets being  
24 financed, whichever is less.

1       “(f)(1) Except as provided for in paragraph (2), the  
2 rate of interest on loans under this section shall be equal  
3 to the then current cost of money to the Government of  
4 the United States for obligations of comparable maturity.

5       “(2)(A) If the Secretary determines that the appli-  
6 cant is not capable of producing net income before interest  
7 of more than 200 percent of the interest requirements on  
8 all of the outstanding and proposed loans of the applicant  
9 for which the final maturity is greater than one year, the  
10 rate of interest on the loan shall be the rate established  
11 under paragraph (1) but not more than 5 percent per  
12 year, except as provided under subparagraph (B).

13       “(B) For any loan whose term is 10 years or more  
14 and whose interest rate is limited to 5 percent per year  
15 under subparagraph (A), the Secretary shall review the  
16 financial status of the borrower every 2 years, and, if the  
17 Secretary determines that the borrower is capable of pro-  
18 ducing net income before interest of more than 200 per-  
19 cent of the interest requirements on all of the outstanding  
20 and proposed loans of the applicant for which the final  
21 maturity is greater than one year, the 5 percent limitation  
22 shall no longer apply to the loan and the rate for the re-  
23 maining term of the loan shall be the original rate estab-  
24 lished under paragraph (1).



1       “(g) The Secretary shall charge a loan origination fee  
2 of one percent of the amount of the loan if the Secretary  
3 determines that the applicant is capable of producing net  
4 income before interest of more than 200 percent of the  
5 interest requirements on all of the outstanding and pro-  
6 posed loans of the applicant for which the final maturity  
7 is greater than one year.

8       “(h) The Secretary may provide a borrower the right  
9 to make payment in full on a loan made under this section  
10 in advance of final maturity on terms consistent with those  
11 provided for commercial loans for similar purposes and  
12 maturities.

13       “SEC. 103. GUARANTEES OF ELECTRIC LOANS  
14 FROM NON-GOVERNMENTAL SOURCES OF CREDIT; LIEN  
15 ACCOMMODATIONS.—(a)(1) To the extent set out in para-  
16 graph (2), the Secretary is authorized and empowered, to  
17 guarantee loans that are made by commercial, cooperative,  
18 or other legally-organized non-governmental lending insti-  
19 tutions to any entity, and for any purpose, described in  
20 section 102(a).

21       “(2) The Secretary shall guarantee only the payment  
22 of that portion of the principal of the loan, and that por-  
23 tion of the interest thereon, that the lender requires as  
24 a condition for making the loan. The amount of any such

1 guarantee shall not exceed 90 percent of the principal of  
2 the loan and the interest thereon.

3       “(3) The Secretary shall not guarantee any loan to  
4 an entity that the Secretary determines is capable of pro-  
5 ducing income before interest of more than 600 percent  
6 of the interest requirements on all of the outstanding and  
7 proposed loans of the entity for which the final maturity  
8 is greater than one year.

9       “(4) The Secretary shall impose such fees and  
10 charges to cover the administrative expense related to any  
11 guarantee made under this section as the Secretary deter-  
12 mines reasonable.

13       “(5) Any contract of guarantee executed by the Sec-  
14 retary under this section shall be an obligation supported  
15 by the full faith and credit of the United States and incon-  
16 testable except for fraud or misrepresentation of which the  
17 holder of the guarantee had actual knowledge at the time  
18 it become a holder.

19       “(6) The Secretary shall not guarantee any loan  
20 under this section unless all additional requirements of  
21 section 104 have been met.

22       “(b) In order to encourage non-governmental lenders  
23 to make loans to eligible entities, or to provide a greater  
24 portion of the credit needs of an applicant for a loan under  
25 section 102, the Secretary is authorized to share the Gov-

1 ernment's lien on the loan applicant's or borrower's assets  
2 or to subordinate the Government's lien on the property  
3 to be financed by the lender. The Secretary shall not offer  
4 such accommodation or subordination unless the Secretary  
5 determines that the security for all loans made or guaran-  
6 teed under this Act, the payment of which the borrower  
7 is liable, will remain reasonably adequate.

8       “SEC. 104. ADDITIONAL REQUIREMENTS AND PRO-  
9 VISIONS RELATING TO LOANS AND GUARANTEES.—(a)  
10 The Secretary shall not make any loan under section 102  
11 or guarantee any loan under section 103—

12               “(1) if all or any part of the loan to be made  
13 or guaranteed will be used to expand the service ter-  
14 ritory of the applicant or borrower, as the case may  
15 be, into an area in which consumers are being served  
16 by another utility;

17               “(2) if the applicant or the borrower, as the  
18 case may be, has not agreed to follow generally ac-  
19 cepted accounting procedures and management prac-  
20 tices;

21               “(3) if the applicant or borrower, as the case  
22 may be, is prohibited by a charter, bylaw, statute, or  
23 regulation, or is otherwise prohibited, from disposing  
24 of any or all of the property of the applicant or bor-  
25 rower by a vote greater than a majority of the mem-

1       bership of the applicant or borrower voting in person  
2       or by proxy; and

3           “(4) if the applicant or borrower fails to agree  
4       to provide to the Secretary a complete and current  
5       set of all residential, commercial, or industrial tariffs  
6       or rate schedules, power sale agreements, and trans-  
7       mission agreements, and any subsequent changes  
8       made thereto, and any additional power sale and  
9       transmission agreements entered into by the bor-  
10      rower, during the term of the loan; any such tariffs,  
11      schedules, and agreements provided to the Secretary  
12      shall be deemed public information and shall be  
13      made available within 10 working days of receipt of  
14      a verbal, written or electronically transmitted re-  
15      quest reasonably describing the information sought.

16      “(b) The Secretary shall ensure that funds shall not  
17      be advanced under any loan made under section 102 or  
18      guaranteed under section 103 unless the approval of any  
19      State or Federal agency required with respect to the  
20      project to be financed by the loan, or its financing, has  
21      been obtained and remains in effect.

22      “(c) If the Secretary determines that the level of gen-  
23      eral funds of an applicant or borrower is in excess of that  
24      needed for a reasonable reserve, the Secretary shall reduce  
25      (A) the amount of the loan request in the case of an appli-

1 cant under section 102, (B) the amount of any advance  
2 on a loan made under section 102, or (C) the amount of  
3 any guarantee under section 103.

4 “(d) Loans may be made under section 102, or guar-  
5 anteed under section 103, only to the extent that electrical  
6 service to consumers in rural areas will be provided or im-  
7 proved by the facility being financed.

8 “SEC. 105. GRADUATION PROGRAM.—(a) The Sec-  
9 retary shall establish a program under which at least once  
10 every 2 years each loan made under section 102 shall be  
11 reviewed to determine whether the borrower (1) is able  
12 to repay all or any part of the loan with general funds  
13 in excess of that needed for a reasonable reserve, or (2)  
14 may be able to obtain credit from a commercial, coopera-  
15 tive, or other legally organized non-governmental lending  
16 institution in an amount sufficient to meet all or any part  
17 of the credit needs of the borrower at reasonable rates and  
18 terms, taking into consideration prevailing rates for loans  
19 and obligations for similar purposes and periods of time.

20 “(b)(1) To the extent that the Secretary determines  
21 that the borrower is able to repay all or any part of the  
22 loan from general funds, the borrower shall make the pay-  
23 ment in full or in part on the loan, without penalty, at  
24 such time as the Secretary may require prior to the final  
25 maturity date of the loan.

1       “(2) If the Secretary determines that the borrower  
2 may be able to meet all or any part of its credit needs  
3 from other lenders, with or without a loan guarantee  
4 under section 103, the borrower shall be required to—

5           “(A) apply for and accept credit from such  
6 lenders, and purchase any stock necessary in connec-  
7 tion with the loan if the source is a cooperative lend-  
8 ing institution; and

9           “(B) use the proceeds of such credit to make  
10 payment, in full or in part, without penalty, on any  
11 loan made to the borrower under section 102 at such  
12 time as the Secretary may require prior to the final  
13 maturity date of such loan.

14       “SEC. 106. FAILURE TO COMPLY WITH THE ACT.—  
15 If a borrower of a loan made under section 102 fails to  
16 comply with any provision of this Act, or any agreement  
17 between the borrower and the Secretary made pursuant  
18 thereto, including, but not limited to, the provisions of sec-  
19 tion 104(a)(6) and section 105, the amount outstanding  
20 on the loan shall become due and payable upon receipt  
21 of a written notice of such failure issued by the Secretary  
22 to the borrower. Such notice shall be given to the borrower  
23 as soon as possible after such failure to comply with the  
24 Act occurs.

1       “SEC. 107. LIMITATION ON AUTHORIZATION FOR AP-  
2   PROPRIATIONS.—In the case of each fiscal year 1996  
3   through 2000, there are authorized to be appropriated to  
4   the Secretary for the cost, as defined in section 502 of  
5   the Congressional Budget Act of 1974, of loans made and  
6   guaranteed under this title, \$25,000,000.”.

7   **SEC. 116. CONFORMING AMENDMENT.**

8       Section 201 of the Act (7 U.S.C. 921) is amended,  
9   in the first sentence, by—

10           (a) striking out “section 3 of”; and

11           (b) striking out “as are provided in section 4 of  
12   this Act” and inserting “as was provided in section  
13   4 of this Act prior to its repeal.”.

14   **SEC. 117. RURAL ELECTRIFICATION AND TELEPHONE RE-**  
15                   **VOLVING FUND.**

16       Section 301 of the Act (7 U.S.C. 931) is amended  
17   by—

18           (a) redesignating subsection (a) as subsection

19           (b);

20           (b) adding a new subsection (a) as follows:

21       “(a) The provisions of this title shall be applicable  
22   only to rural electric loans made prior to October 1, 1995,  
23   and to rural telephone loans.”; and

24           (c) in subsection (b), as redesignated,

1 (1) in paragraph (1), by striking out  
2 “under sections 4, 5, and 201 of this Act” and  
3 inserting in lieu thereof “under sections 4 and  
4 5, prior to their repeal, and section 201 of this  
5 Act”;

6 (2) in paragraph (2), striking out “under  
7 sections 4, 5, and 201” and inserting in lieu  
8 thereof “under sections 4 and 5, prior to their  
9 repeal, and section 201 of this Act”; and

10 (3) in paragraph (3)—

11 (A) striking out “notwithstanding sec-  
12 tion 3(a) of title I”; and

13 (B) striking out “held under titles I  
14 and II of this Act” and inserting in lieu  
15 thereof “held under sections 2 through 18  
16 of this Act, prior to the amendments made  
17 thereto by the Rural Electrification and  
18 Rural Economic Development Improve-  
19 ment Act of 1995, and title II of this Act”.

20 **SEC. 118. CONFORMING AMENDMENTS.**

21 Section 302 of the Act (7 U.S.C. 932) is amended  
22 by—

23 (a) in subsection (a), striking out “under sec-  
24 tions 4, 5, and 201 of this Act” and inserting in lieu



1       thereof “under sections 4 and 5, prior to their re-  
2       peal, and section 201 of this Act”; and

3               (b) in subsection (b)—

4                       (1) in paragraph (1), striking out “under  
5       sections 4, 5, and 201 of this Act” and insert-  
6       ing in lieu thereof “under sections 4 and 5,  
7       prior to their repeal, and section 201 of this  
8       Act”; and

9                       (2) in paragraph (2), adding after “pursu-  
10       ant to section 3(a) of this Act” the following:  
11       “prior to its repeal”.

12   **SEC. 119. COST OF MONEY RATES FOR CERTAIN ELECTRIC**  
13                       **BORROWERS.**

14       Section 305(c)(2) of the Act (7 U.S.C. 935(c)(2)) is  
15   amended to read as follows:

16               “(2) COST OF MONEY LOANS.—The Secretary  
17       shall make insured electric loans, to the extent of  
18       qualifying applications, to eligible applicants that do  
19       not meet the requirements for hardship loans under  
20       paragraph (1) at the rate of interest equal to the  
21       then current cost of money to the Government of the  
22       United States for loans of similar maturity.”.

1 **SEC. 120. LIMITATION OF TERM OF LOANS.**

2 Section 305(c) of the Act (7 U.S.C. 935(c)) is amend-  
3 ed by adding at the end thereof a new paragraph (4) as  
4 follows:

5 “(4) LIMITATION ON TERMS OF LOANS.—The  
6 term of any loan made under this subsection may  
7 not exceed the expected useful life of the assets  
8 being financed or 35 years, whichever is less.”.

9 **SEC. 121. ACCOMMODATION AND SUBORDINATION OF**  
10 **LIENS TO ASSIST CERTAIN BORROWERS IN**  
11 **ACQUIRING CREDIT AFTER OCTOBER 1, 1996.**

12 Effective October 1, 1995, section 306 of the Act (7  
13 U.S.C. 936) is amended by—

14 (a) Adding “(a)” before the first sentence; and

15 (b) Adding at the end thereof a new subsection

16 (b) as follows:

17 “(b) In order to assist borrowers with outstanding  
18 electric loans made under this Act prior to October 1,  
19 1995, who are not eligible for loans under section 102 to  
20 meet their further credit needs from commercial, coopera-  
21 tive, or other legally organized lending institutions, the  
22 Secretary is authorized to share the Government’s lien on  
23 the borrower’s assets or to subordinate the Government’s  
24 lien on the property to be financed by the lender to the  
25 extent that the Secretary determines that the security for

1 all loans of the borrower made or guaranteed under this  
2 Act will remain reasonably adequate.”.

3 **SEC. 122. REPEAL OF AUTHORIZATION TO REFINANCE FED-**  
4 **ERAL FINANCING BANK LOANS.**

5 Section 306C of the Act (7 U.S.C. 936c) is repealed.

6 **SEC. 123. REPEAL OF REQUIREMENT FOR SPECIAL TREAT-**  
7 **MENT OF CERTAIN ELECTRIC BORROWERS**

8 Section 306E of the Act (7 U.S.C. 936e) is repealed.

9 **SEC. 124. REPEAL OF 30 PERCENT LIMITATION ON RE-**  
10 **QUIRED FINANCING FROM OTHER SOURCES.**

11 Section 307 of the Act (7 U.S.C. 937) is amended  
12 by striking out the last sentence thereof.

13 **SEC. 125. REPEAL OF AUTHORIZATION TO REFINANCE CER-**  
14 **TAIN RURAL DEVELOPMENT LOANS.**

15 Section 310 of the Act (7 U.S.C. 940) is repealed.

16 **SEC. 126. USE OF FUNDS.**

17 Section 312 of the Act (7 U.S.C. 940b) is repealed.

18 **SEC. 127. REPEAL OF CUSHION OF CREDIT PAYMENTS PRO-**  
19 **GRAM.**

20 Section 313 of the Act (7 U.S.C. 940c) is repealed.

21 **SEC. 128. REPEAL OF CERTAIN AUTHORIZATIONS FOR AP-**  
22 **PROPRIATIONS.**

23 Section 314 of the Act (7 U.S.C. 940d) is amended  
24 in subsection (b) by—

25 (a) striking out paragraphs (1) and (2); and

1 (b) renumbering paragraphs (3) and (4) as  
2 paragraphs (1) and (2), respectively.

3 **TITLE II—PRESERVATION OF EXCLUSIVE**  
4 **STATE JURISDICTION OVER RETAIL**  
5 **ELECTRIC SERVICE TERRITORIES.**

6 **SEC. 201. AMENDMENT TO THE FEDERAL POWER ACT OF**  
7 **1935.**

8 Section 201 of the Federal Power Act of 1935 (16  
9 U.S.C. 824) is amended by adding at the end thereof the  
10 following new subsection:

11 “(h) EXCLUSIVE STATE JURISDICTION OVER ALLO-  
12 CATION OF RETAIL ELECTRIC SERVICE TERRITORIES.—  
13 Notwithstanding any other provision of law, the regulation  
14 and allocation of service territories or service areas to pro-  
15 viders of electric service shall be subject only to State law  
16 and shall not be subject to the requirements of this Act,  
17 or any other provision of Federal law. No Executive agen-  
18 cy (as defined in section 105 of title 5, United States  
19 Code) shall have authority to preempt or interfere with  
20 the operation of any law of a State or a political subdivi-  
21 sion of a State relating to a service territory or service  
22 area allocation to providers of electric service.”.

1 **TITLE III—IMPROVEMENTS TO THE DE-**  
2 **LIVERY OF RURAL DEVELOPMENT**  
3 **PROGRAMS**

4 **SEC. 301. ELIGIBILITY FOR WATER AND WASTE LOAN AND**  
5 **GRANT PROGRAMS.**

6 The Consolidated Farm and Rural Development Act  
7 (7 U.S.C. 1921 et seq.) is amended by—

8 (1) in subsection (a) of section 306 (7 U.S.C.  
9 1926(a)), striking out the second sentence; and

10 (2) in section 365 (7 U.S.C. 2008), striking out  
11 subsection (h).

12 **SEC. 302. REGULATIONS UNDER SECTION 370 OF THE CON-**  
13 **SOLIDATED FARM AND RURAL DEVELOP-**  
14 **MENT ACT.**

15 If the Secretary of Agriculture has not issued final  
16 or interim final regulations to ensure compliance with the  
17 provisions of section 370(a) of the Consolidated Farm and  
18 Rural Development Act (7 U.S.C. 2008e) on or before  
19 September 30, 1995, the Secretary shall not make any  
20 loan, loan advance, or grant for rural development pur-  
21 poses under any provision of such Act or any loan, loan  
22 advance, or grant under any provision of the Rural Elec-  
23 trification Act of 1936 until such regulations are issued.

1 **SEC. 303. ADMINISTRATION OF RURAL DEVELOPMENT PRO-**  
2 **GRAMS.**

3 The Consolidated Farm and Rural Development Act  
4 of 1972 (7 U.S.C. 1921 et seq.) is amended by adding  
5 at the end therefore the following new section:

6 “SEC. 372. ADMINISTRATION OF RURAL DEVELOP-  
7 MENT PROGRAMS.—Notwithstanding any other provision  
8 of law, in administering all rural development programs  
9 and activities, other than rural development programs re-  
10 lating to rural businesses and industry development, the  
11 Secretary shall give priority, in the awarding of all loans  
12 and grants (including, but not limited to, grants and loans  
13 provided under title V of the Rural Electrification Act of  
14 1936), to rural development projects that are included in  
15 a local, regional, or Statewide development plan and the  
16 Secretary shall give the highest priority to public bodies  
17 and nonprofit entities that operate on a nonprofit basis.”.

18 **SEC. 304. EQUAL ACCESS TO FEDERAL RURAL DEVELOP-**  
19 **MENT FUNDS.**

20 Section 502 of the Rural Electrification Act of 1936  
21 (7 U.S.C. 950aa–1) is amended—

22 (a) in paragraph (1) of subsection (b)—

23 (1) in the first sentence, by striking out  
24 “Borrowers under this Act” and inserting in  
25 lieu thereof “Borrowers under this Act and all  
26 nonprofit entities”; and

1 (2) by striking out the second sentence.

2 (b) in section (b), by adding at the end thereof  
3 the following new paragraph:

4 “(4) PREFERENCE FOR NONPROFIT ENTI-  
5 TIES.—In reviewing applications for assistance, the  
6 Secretary shall give the highest priority to those ap-  
7 plications and preapplications submitted by non-  
8 profit entities that operate on a nonprofit basis.”;  
9 and

10 (c) in subsection (e), by striking out the second  
11 sentence.

12 **SEC. 305. ELIMINATION OF DUPLICATIVE PROGRAMS.**

13 Section 2322 of the Food, Agriculture, Conservation,  
14 and Trade Act of 1990 (7 U.S.C. 1926–1) is repealed.

○

S 805 IS——2

S 805 IS——3